

3 Nonreceipt

Overview

This section contains instructions on what to do when a recipient advises the financial institution that an expected Direct Deposit payment has not been credited to an account.

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A. Common Causes for Unnecessary Nonreceipt Claims

In the rare event that an ACH payment does not reach the correct destination, the Federal government intends to ensure that every reasonable attempt is made to locate the payment prior to referring the recipient to the authorizing Federal agency to begin the nonreceipt process. It is estimated that over 20 percent of “missing” Federal payments are at the Receiving Depository Financial Institution (RDFI) when the recipient calls to inquire.

RDFIs should be aware of the following situations that often result in unnecessary nonreceipt claims:

1. Memo Posting

Recipients call the RDFI to confirm receipt on settlement date. RDFI customer service personnel often fail to check for items posting at the end of that day. The recipient is informed that the payment has not arrived and often this begins an unnecessary nonreceipt claim process. It also results in an irate recipient and less confidence in Direct Deposit.

According to NACHA Operating Rules, consumer payments (including Federal salary, travel payments, and benefit payments) must be made available for withdrawal by the recipient no later than the opening of business on the settlement date (provided the entries are made available to the RDFI by its ACH operator no later than 5pm on the banking day prior to the settlement date). This includes items that are “memo posted” on the settlement date.

2. Early Posting

“Early posting” occurs when an RDFI posts a payment to a recipient’s account prior to settlement date. This is common with Social Security payments since these payments are initiated early by the Social Security Administration (SSA) to accommodate the large ACH volume. Example: SSA initiates a payment with a settlement date of the 3rd of the month; the RDFI receives the payment from their ACH operator on the 1st of the month and, because of system limitations or workload considerations, posts it to the recipient’s account on the 2nd of the month; the SSA recipient calls the RDFI and asks if they received a payment “today,” the 3rd of the month; the employee looks at today’s activity, does not find the payment, and tells the recipient “no.” This starts a nonreceipt claim, when actually, the funds were posted yesterday and are in the recipient’s account.

3. Other Causes

When a recipient calls to confirm receipt of a payment, the RDFI should be aware that the payment could have been incorrectly posted or returned due to incorrect account information. In these instances, RDFIs should take steps to correct these situations prior to having the recipient start the nonreceipt claims process.

Note: *It is extremely important that all RDFI personnel, especially branch, teller, and*

customer service representatives, are properly trained to locate payments that are “memo posted” on the settlement date or posted early (i.e., before the settlement date). This will result in a decrease in unnecessary nonreceipt claims. This will also increase the confidence of Direct Deposit recipients, especially the elderly and those depending on the timely delivery of Federal government payments.



RDFI Liability for Federal Government ACH Payments

In certain instances, RDFIs can be held liable for ACH payments not processed timely or correctly. Title 31 CFR 210.8(b) states:

“if the Federal government sustains a loss as a result of a financial institution’s failure to handle an entry in accordance with this part, the financial institution shall be liable to the Federal government for the loss, up to the amount of the entry, ...”

It is imperative that RDFIs review procedures for posting payments and funds availability to ensure compliance with 31 CFR 210 and NACHA Operating Rules.

RDFI Liability for Automated Enrollments (ENRs) and Notifications of Change (NOCs)

Improper preparation of ENRs and NOCs could result in the nonreceipt of an ACH payment. Title 31 CFR 210.8(b)(2) specifically addresses the liability placed on RDFIs for the correct preparation of ENRs and NOCs:

“An RDFI that transmits to an agency an authorization containing an incorrect account number shall be liable to the Federal government for any resulting loss, up to the amount of the payment(s) made on the basis of the incorrect number. If an agency determines, after appropriate investigation, that a loss has occurred because an RDFI transmitted an authorization or notification of change containing an incorrect account number, the agency may instruct the Service to direct a Federal Reserve Bank to debit the RDFI’s account for the amount of the payment(s) made on the basis of the incorrect number.”

RDFIs should review procedures for the preparation of ENRs and NOCs (see Chapter 1, Enrollment, and Chapter 6, Notification of Change) and ensure all employees responsible for these transactions are aware of the procedures and the implications for the RDFI.

B. Recipient Nonreceipt Inquiry to Financial Institution

When a recipient notifies the RDFI that he/she has not received a Direct Deposit Federal payment, the RDFI should verify that the payment was received by the RDFI. The RDFI

should make every reasonable attempt to locate a payment before referring the recipient to the authorizing Federal agency to begin an official nonreceipt claim process.

Attempts to Locate the Payment(s)

The tables below provide a checklist of actions that the RDFI should follow before beginning the nonreceipt claim process.

Action if payment was received	Completed
Determine if the payment was posted late, early, or on settlement date.*	
Determine if payment was an exception item (i.e., returned or other action).**	
Determine if payment was posted to another account.**	

Action if payment was not received***	Completed
Ask the recipient if he/she has changed financial institutions.	
Ask the recipient if he/she has revoked the Direct Deposit authorizations.	
Ask the recipient to verify entitlement with the authorizing Federal agency.	
RDFI should contact its third party processor, if one is used, to confirm nonreceipt.	

* If funds were posted after the settlement date, the RDFI should explain the reason for the delay and the steps taken to make the recipient whole.

** If appropriate, an NOC should be originated to the authorizing agency to provide correct banking information. See Chapter 6, Notification of Change.

*** Advise the recipient to contact the authorizing Federal agency to make sure the proper authorizations are in place for future ACH payments.

Beginning the Nonreceipt Process

If all efforts to locate the payment(s) have failed, the RDFI should instruct the recipient to file a nonreceipt claim directly with the authorizing Federal agency by telephone, in person, or in writing. The table below lists Federal agencies by types of payments.

Type of Payment	Action
Federal Salary and allotments (including military civilian pay) Military Active Duty and allotments	Advise recipient to contact his/her payroll office. Note: <i>Coast Guard Active Duty and Allotments (785) 295-2910.</i>
Military Retirement/Annuity/Allotments Air Force Coast Guard Marine Corps Navy	Advise recipient to contact the appropriate military branch. Refer to Contacts, Chapter 8.
Travel payments	Advise recipient to contact his/her finance/travel office.
<i>TreasuryDirect</i>	Refer to Contacts, Chapter 8.
Vendor and Miscellaneous	Advise recipient to contact the Federal agency that authorized the payment.
All other payment types	Advise recipient to contact the Federal agency that authorized the payment. Refer to Contacts, Chapter 8.

C. Nonreceipt Process

Upon notification from the recipient that a payment has not been received, the authorizing Federal agency will notify the Financial Management Service (FMS). FMS will search the claims history database to determine to whom the payment was issued and to verify that the payment has not been returned. If the payment has already been returned, the claim will be sent back to the authorizing Federal agency and the case will be closed. If the payment has not been returned, FMS will issue the appropriate trace request to the RDFI.

Payment Trace Requests: Manual Nonreceipt Claims Process

Nonreceipt Trace Forms:

The financial institution will receive either Form FMS 150.2 or Form FMS 150.1.

FMS Form 150.2

The FMS 150.2 is used to trace payments dated the current month or previous month.

Upon receipt of the FMS 150.2, the RDFI should follow these steps:

Step	Action
1	Verify the status of the payment in question by making all attempts to locate the payment at the RDFI.
2	Credit the payment immediately if the payment was not previously credited or returned.
3	Return the payment by ACH if it cannot be credited for any reason.
4	Use the recipient's copy of the FMS 150.2 to notify the recipient of the disposition of the payment.
5	Originate an NOC entry if corrections are needed for future payments. See Chapter 6, Notification of Change and the NACHA Operating Rules for detailed instructions.

The RDFI should inform recipients of the payment status. The RDFI is not required to contact FMS; however, if the RDFI does reply to FMS, the information is passed back to the authorizing Federal agency and the case is closed.

If the recipient has not received the payment after 30 days (10 days for SSA Payments), the recipient must initiate a second request to the authorizing Federal agency, and the agency must send a follow-up claim to FMS.



Note: For benefit payments if the wrong account was credited with the original payment, the RDFI should notify the Government Disbursing Office.

Keep in mind that RDFIs can be held liable for ACH payments not processed timely or correctly. If the Federal government sustains a loss as a result of a financial institution's improper handling of an entry, the financial institution is liable to the Federal government for the loss, up to the amount of the entry.

This is a sample of form FMS 150.2.

TRACE REQUEST **DIRECT DEPOSIT**

TRACE NUMBER		ROUTING NUMBER		CUSTOMER'S NAME		ACCOUNT	
		CLAIM NUMBER		CLAIM DATE			
		DEPOSITED ACCOUNT NUMBER		TYPE OF ACCOUNT			
		TYPE OF PAYMENT		DEPOSITED DATE			

FMS 150.1

For Payment Reduction Act (PRA) and
and Section 501(c)(3) Disbursement for
Receipt Date "Financial Institution Copy"

FMS Form 150.1

The FMS 150.1 is used to trace payments with an issue date two (2) months or older, or as a follow-up notice for previous trace requests, issued on an FMS form 150.2.

Upon receipt of an FMS 150.1, the RDFI should follow these steps:

Step	Action
1	Verify the status of the payment in question by making all attempts to locate the payment at the RDFI.
2	Credit the payment immediately if the payment was not previously credited or returned.
3	Return the payment by ACH if it cannot be credited for any reason.
4	Complete the FINANCIAL INSTITUTION ACTION section within three (3) business days of receipt of the form by the RDFI.
5	Return the DISBURSING OFFICE COPY to the Government Disbursing Office identified on the form.
6	Use the recipient's copy to notify the recipient of the disposition of the payment.

The RDFI must respond to FMS within three business days by completing and returning the FMS 150.1 to the FMS Regional Financial Center indicated on the form.

If the RDFI responds that the payment was credited to the recipient's account, FMS will advise the authorizing Federal agency and will close the case.

If the RDFI responds that the payment was returned by ACH, FMS will search the claims history database to verify acceptance of the return. If the payment receipt is confirmed,

FMS will advise the authorizing Federal agency of the return and will close the case. If the RDFI responds to FMS that the payment was returned by ACH and FMS does not find the return in the claims history, FMS will allow up to 15 days from the date the RDFI indicated the return was sent and will search the claims history database again. If the return does not show up after 15 days, FMS will send a letter and a second 150.1 form to the RDFI's ACH contact requesting a status of the payment. If no reply is received from the RDFI after 15 days, FMS will send a second letter to the RDFI's Vice President of Operations. If no reply is received, a third letter will be sent to the President of the RDFI. If no reply is received, FMS calls the FI and will pursue the case until it is resolved. The authorizing Federal agency may also contact the RDFI to resolve payment problems.

Keep in mind that RDFIs can be held liable for ACH payments not processed timely or correctly. If the Federal government sustains a loss as a result of a financial institution's improper handling of an entry, the financial institution is liable to the Federal government for the loss, up to the amount of the entry.

This is a sample of form FMS 150.1.

For Bureau Electronic Payments Use Reserve for Financial Organization Only		OMB No. 1510-0045
DEPARTMENT OF THE TREASURY FINANCIAL MANAGEMENT SERVICE REGIONAL FINANCIAL CENTER		
DIRECT DEPOSIT COORDINATOR _____	DATE OF REQUEST _____	
	<input type="checkbox"/> SECOND REQUEST	
	DATE OF ORIGINAL REQUEST _____	
SUBJECT: TRACE REQUEST FOR ELECTRONIC FUNDS TRANSFER PAYMENT		
Dear Sir:		
One of your customers has filed a claim for nonreceipt because their direct deposit payment has not been credited to their account. Your customer authorized the payment indicated below to be sent to your financial organization through Treasury's Direct Deposit Program.		
TRACE NO. _____	PAYMENT DATE _____	
RECEIVING FINANCIAL ORGANIZATION ROUTING NO. _____	TYPE OF PAYMENT _____	
INDIVIDUAL (Customer's Name) _____	AMOUNT _____	
DEPOSITOR'S ACCOUNT NO. _____	DISCRETIONARY DATE _____	
PREFIX INDIVIDUAL ID (Customer's Claim No.) SUFFIX _____		
Treasury's records show that the payment was authorized and sent to your financial organization through the Federal Reserve banking system.		
Please research your records, mark the block in the FINANCIAL ORGANIZATION ACTION SECTION below that describes the action taken by your financial organization, call the FINANCIAL CENTER COPY and return within 3 days to:		
Department of the Treasury Financial Management Service Regional Financial Center P.O. Box _____		
_____ DIRECTOR, REGIONAL FINANCIAL CENTER		
FINANCIAL ORGANIZATION ACTION		
<input type="checkbox"/> The payment described above was credited to the customer's account on (Date) _____. The CUSTOMER'S COPY of this form was completed and forwarded to the customer on (Date) _____.		
<input type="checkbox"/> We received the above described payment. The payment was returned to the Federal Reserve on a Presubmitted Return Item Credit Form on (Date) _____. We are attaching a copy of the return item form.		
<input type="checkbox"/> We have the above described payment but cannot post it. We are returning it to the Federal Reserve on a Presubmitted Return Item Credit Form on this date. We are attaching a copy of the return item form.		
ADDITIONAL REMARKS _____		
<div style="border: 1px solid black; padding: 5px; width: 40%;"> PAAPERWORK REDUCTION ACT AND PRIVACY ACT STATEMENT The information is provided in compliance with the Privacy Act of 1974 (P.L. 93-579). All released information is mandatory by authority of 31 U.S.C. 301, 31 U.S.C. 391, and 31 CFR Part 210. This information will be used to determine if payments are being credited properly by financial organizations. Failure to provide the requested information may delay or prevent the settlement of blocks for nonreceipt of payments to organizations through the Direct Deposit Program. </div>		
FMS FORM 150.1 (07/97) (SEE INSTRUCTIONS)		SIGNATURE _____
FINANCIAL CENTER COPY		TITLE _____
_____		DATE _____

Payment Trace Requests: Tele-TRACE Nonreceipt Claims Process

The FMS is implementing a telephone nonreceipt process (Tele-TRACE) for Federal payments. This process eliminates the paper processing of trace forms (i.e., FMS 150.2 and FMS 150.1) required under the manual nonreceipt process. Instead, FMS representatives will call RDFIs and recipients directly to resolve claims of nonreceipt. The manual paper process will be gradually phased out.

Upon notification from the recipient that a payment has not been received, the authorizing Federal agency will notify FMS. FMS will search the claims history database to determine to whom the payment was issued and verify that the payment was not returned. If the payment has already been returned, the claim will be sent back to the authorizing Federal agency. If the payment has not been returned, FMS will call the RDFI to inquire about the reason for nonreceipt.

The RDFI should locate the payment and provide FMS with the reason the recipient did not receive the payment as follows:

- Posted late, early, or on settlement date*
- Incorrect depositor account number, account closed, name not on account**
- Posted to another account.**

Once the reason for nonreceipt has been determined, FMS will telephone the recipient to inform him/her of the resolution. FMS will mail a letter if unable to reach the recipient by telephone.

Keep in mind that RDFIs can be held liable for ACH payments not processed timely or correctly. If the Federal government sustains a loss as a result of a financial institution's improper handling of an entry, the financial institution is liable to the Federal government for the loss, up to the amount of the entry.

* If funds were posted after the settlement date, RDFI should explain the reason for the delay and the steps taken to make the recipient whole.

** If appropriate, an NOC should be originated to the authorizing agency to provide correct banking information. See Chapter 6, Notification of Change.